

CAH Financial Criteria

Assumptions:

Assumptions developed by the CAH Designation Workgroup & RHFP Steering Committee

- (1) The hospital administration and community may add additional criteria specific to their facility and community for the CAH financial analysis.
- (2) The hospital administration and the community may add additional criteria specific to their facility and community for the selection of a financial analyst.
- (3) The hospital administration and the community will provide financing of their own above the State's cost cap to fund the additional criteria they have added.
- (4) The State will convey funds to facilities via contracts or grants. These funds will not be in excess of the State's cost cap to the hospital/community. The hospital/community will use these funds to obtain a CAH financial analysis that, at a minimum, meets the core criteria developed by the work group.
- (5) Funding will not be provided for CAH financial analysis to communities that have had such an analysis completed in the past three years when that analysis resulted in a finding that conversion to CAH designation would financially benefit the hospital.

I. Financial Analysis Core Criteria

- a. **Assessment of the probable reduction in inpatient utilization resulting from service limitation.**
- b. **Assessment of the effect the probable decline in inpatient utilization would have on facility revenue and cost.**
- c. **Comparison of the impact on facility profitability of (a) converting to CAH cost- based reimbursement versus (b) implementing the changes required under the BBA '97 and subsequent revisions to that Act.**
- d. **Assessment of the impact on facility profitability of network participation (e.g., meeting credentialing and quality assurance requirements including long-distance transportation and communication costs).**
- e. **Assessment of the impact on facility profitability of long-distance patient transport and other associated conversion costs including extended stay review for non-Medicare patients.**
- f. **Assessment of the impact on facility profitability of ceasing to participate in Medicare reimbursement.**
- g. **Assessment of what effect small changes in Medicaid reimbursement methodology such as changes to the Disproportionate Share methodology**

or Swing Bed Rate might have on small rural facilities that convert to CAH and whether such changes are the crucial factor in the conversion decision.

II. Financial Analyst Core Requirements

- a. The contractor chosen to assess the viability of the critical access hospital (CAH) status for providers in the State of Alaska shall be independent with respect to the determination of whether the CAH status is beneficial. Being independent requires, in part, that the contractor have no financial interest in the outcome (e.g. not have completed cost reports or other financial analyses including a CAH financial analysis for the facility within the past 3 years).**
- b. Demonstrated experience in application of the BBA '97 and subsequent revisions to that act including CAH requirements to the financial analysis of small rural hospitals.**
- c. Possess references from small rural hospitals that have successfully converted to CAH and for which similar CAH financial analysis has been completed.**
- d. Ability to provide assessment of how well the proposed model for CAH financial analysis fits Alaska's rural patient mix.**